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„My old horse-cart's running slow”?

Thoughts about the EU while reading the book *Every Whole is Broken Now* *(Minden Egész eltörött)*

(EDITED BY LÁSZLÓ MURAKÖZY, AKADÉMIAI KIADÓ, BUDAPEST, 2013)

Akadémiai Kiadó surprised its readers with a new publication within the Economic Policy Roundtable series, entitled *Every Whole is Broken Now (Minden Egész eltörött).* The compilation of studies carries on the mission of the series, which is to discuss topical and important issues on the economy in a plain and simple language, without the use of technical terms. In other words, it fulfils its role perfectly by raising the standards of the Hungarian economic culture, while presenting the economic policy trends prevailing within the EU, the Central European region and the global economy which are bound to shape, either directly or indirectly, the economic performance of Hungary.

The publication includes seven studies. It would be difficult to identify the guiding principle behind the editor's choice in the order of the studies: they are various analyses relying on different theories and statistical data borrowed from elsewhere, without being linked on any level. Amid tables with often dull statistical data, we also come across some oases of theoretical discussions, which offer true refreshment for the mind. The book provides new information but, in many cases, disputable conclusions for a broad readership. My advice to readers with a more refined taste in theoretical issues is to read the book as we used to read domestic newspapers: start with the back page featuring the most exciting news – that is sports –, which in our case is the study by *László Csaba*, analysing the crisis of the euro area from a rather unique economic approach, albeit with some highly arguable statements.

In his study entitled *Theoretical Lessons Learnt from the Euro Area Crisis (Az euróövezet válságának néhány elméleti tanulsága)*, László Csaba discusses European crisis management, institutional decisions aimed at deeper integration, the policy of "easy money" and the related economic theories mainly from a psychological aspect.

The author begins with an interesting observation: if the national currencies of a group of countries can be exchanged at an identical

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rate for a long period of time, the countries concerned are more or less at the same level of development and are in a position to establish a currency union.[1] The currency union, however, assumes a strict national budget policy in order to guarantee financial stability in general, and once this is achieved, national balances of payments will be of no interest. During the two decades preceding the introduction of the euro, i.e. before 1 January 1999, many statements used the ECU as the money of account.

There is a thought-provoking statistical figure, according to which the 68.3 per cent debt rate of the euro area countries observed in 2001 grew only slightly and barely exceeded 70.1 per cent by 2008; however, by 2012 it jumped to 89.3 per cent. This led László Csaba to the conclusion that politicians cannot be regarded as "actors who have truly mastered economics and are guided by rational expectations" (op.cit. p. 262.). The media actually puts it more bluntly when it simply questions the professional competence of EU leaders with regards to solving the problems of the euro area.[2] While surgeons are suspended for removing the patient's gall bladder instead of a perforated appendix, when politicians harm millions of people with a bad decision, they get away scot-free; indeed, they even get re-elected. We can only hope that sooner or later voters realise that the citizens they elect or appoint as members of parliament or advisers should be competent professionals who understand economic policy issues. An excellent example is the National Bureau of Economic Research (NBER) of the US Congress. As the saying goes, economic management is a form of art, which requires (would require) politicians to have not only professional competence, but also a high degree of intelligence. Sadly, we have many career politicians in parliament who are clearly unable to grasp the problem itself, let alone the solution and even their advisers are unprepared.

What László Csaba claims in another of his criticisms comes as no surprise; namely, that the single currency could contribute to the financial stability even without the guarantees laid out in the complicated (Maastricht, Amsterdam, Nice and Lisbon) treaties. Moreover, the post-crisis period shows that precisely those Member States got into trouble that used to be regarded as model pupils in fiscal policy (Ireland, Estonia, Spain), while Belgium and Germany remaining unscathed despite their high level of debt. Thus, in László Csaba's view, even compliance with complex rules does not provide sufficient guarantees to overcome the crisis. At the same time, he does not think that the recent criticism by the British press (spring of 2013) about the European financial union and the single currency is actually justified.

The development gaps between various Member States are often cited as the root of the problems faced by the euro area. While Csaba rejects this argument altogether, I believe it is more questionable than wrong and only requires deeper analysis. In his view, problems lie primarily in the operation of the euro area and in the failure to adhere to the strict discipline in the stability of prices and exchange rates, as well as fiscal austerity. The exchange rate of the euro, however, is even more important than the above – which Csaba does not even mention –, since it was the strong euro exchange rate that set back tourism and exports outside of the EU in South European countries, causing significant loss of income there.[3] The impotence of private economies and economic policy – a new kind of macroeconomic populism – often plays a negative role as well.

The author also warns about the dangers of stagflation, although he is mistaken in stating that it has been characteristic of Japan during the past two decades. In many respects, Japan's economy contradicts the proposi-

tions of macroeconomics, especially those of Keynes: in Japan a very low growth rate is in fact accompanied by deflation and a relatively low unemployment rate. Japan is currently experimenting with harnessing artificially induced inflation to facilitate the recovery from deflation,[4] which is also expected to kick-start growth. Japan's 240 per cent public debt/GDP ratio could be a source of concern in itself; however, when we consider that it became indebted to Japanese households and companies, we see Japan's situation in a new light.[5]

The author cites *Feldstein's*[6] (2008) article to justify that mentioning (let alone teaching) the 1960's and 1970's theory of the general equilibrium of the national economy is no longer relevant in our globalised world. Today the equilibrium of the global economy is perceived to be an essential and basic element, maintained by the deficit of certain national economies being financed from the surplus of other national economies, thus avoiding global economic recession.[7] If, however, the global economy turns into a casino in the Keynesian sense, in other words, speculation without any real performance spins out of control in the money market, nothing can prevent a global financial crisis and recession, as seen in 2008–2009.[8]

Expansive budgetary and monetary policy can easily lead to inflation; what is more, if "cheap money" is unable to jump-start the engine of economic growth, it can lead to stagnation, which is then tackled by stopping lending, thereby "drying up" the money market. Although this statement is correct, we must also add that this is/was what the ECB relied on as a stimulation for growth, leading to delays in the implementation of structural reforms. The EU tries to counterbalance "easy money" with strict, supranational-level budgetary regulations adopted mainly under pressure by Germany, the success of which is regarded with a fair amount of scepticism by Csaba. He does not have a clear answer to the question whether the distressed Southern countries should be bailed out; however, he brings an example from the economic history of the United States pointing out that not a single state – not even California – has been rescued from bankruptcy since the civil war.

"Why should we become immersed in Csaba's study?", we might ask. The primary reason in my view is that the numerous EU studies and educational materials published over the past decade kept repeating the translations of official EU publications, whereas the author in this case finally discusses EU issues in profound theoretical economic terms. He leaves several of his analyses and conclusions open, not forcing them onto the readers, treating them elegantly as equal partners and thus allowing the issues raised to be contemplated further or, as I did, disputed.

The next study in the order of priority was written by *Ádám Török* and *Anita Veres*, entitled *Competitiveness and Creditworthiness (Versenyképesség és hitelképesség)*. The primary aim of the authors was to compare the methods of preparing various competitiveness rankings and subsequently provide a medium-term forecast of the Hungarian economy's expected performance (competitiveness and creditworthiness).

The study raised a very original question; namely: how will the criteria that determine the ranking develop over the medium-term in the Hungarian economy, what values are they expected to take by 2020 and consequently, where will the Hungarian economy be in the competitiveness and creditworthiness ranking. In order to give a scientific answer to this question, we need to formulate and solve an econometric model.[9] Unfortunately, this study mostly discusses the criteria that

determine the rankings, and the answer to the main question is merely a guessing game based on the forecasts of other countries. We can also say that this study lays the foundations for Hungarian economic politicians for an important research: to provide the medium-term forecast of the development of Hungarian economy by using a modern econometric model.

The authors start with an important issue: the creditworthiness and competitiveness ranking of countries require analyses on capital markets and investment, the choice between the fundamentalist and chartist approach, the criticism of the efficient market hypothesis, as well as behavioural studies. The paper features references to the literature written on the individual areas without deeper critical analysis (especially in relation to the 2008–2009 crisis). It would have been worthwhile to consider, in view of the global crisis, whether these particular criteria are the ones that are crucial in determining the rankings or some of them, such as adopting the "efficient market hypothesis" could lead to false evaluations.[10]

The authors' analysis, featuring the various changes in the ranking, was based on the Global Competitiveness Report by the World Economic Forum (WEF). They carried out correlation calculations on the basis of annual ratings by various credit rating agencies (Moody's, S&P and Fitch) between 2001 and 2011, then used the results to conduct further analyses, applying the data of the top performer by Moody's, which basically involved comparing the WEF global competitiveness index with the data from the reviewed countries. In Hungary's case they found a strong correlation between the credit ratings and the competitiveness indices. Using the WEF calculations they also showed the various changes in Hungary's competitiveness between 2001 and 2011.

Although the correlations presented are not new, the study is interesting because its fundamental issue (the medium-term development of the criteria underlying the rankings) provides an excellent subject matter for further studies and PhD theses,[11] the findings of which could serve as a scientific foundation for the economic policy decisions of Hungary.

László Muraközy's work *The 'Hungarian Way': Institutions and Economic Development (A 'magyar út': Intézmények és gazdasági növekedés)* is connected to the previous study to a certain extent as it compares the economic situation of Hungary with the data of certain countries; namely, the GDP levels of developed West European countries for the period between 1870 and 2008, based on *Maddison*'s (2010) calculations[12]. The outcome confirms the statement by *Iván T. Berend* (2010), according to which the Central and Eastern European region lags two centuries behind in relative development. Although the study fails to offer any explanation for this gloomy statistical fact, the source cited, which provides some answers that are based on serious research in economic history, obviously aroused the interest of sophisticated readers.

The previously described gloomy picture about Hungary's economic development is followed by another, with the author predicting insignificant economic growth for the long term also, based on the forecasts of Eurostat and the OECD. According to data released by the OECD[13], the gap between actual and potential growth does not look more favourable for 2013 and 2014 even when expressed as a percentage of potential GDP, i.e. the output-gap. What is more, including data from Estonia and Slovenia apart from the Visegrád 4 shows that Hungary's potential growth rate was the slowest in the period after the turn of the millennium.

Since institutions played a crucial part in the long-term recovery of the most developed countries, the author attempts to find

out whether the lack of progress in Hungary and the above-mentioned countries could be attributed to bad governance. He uses data from the World Governance Indicators to answer the question, in particular, data on government effectiveness, regulatory quality, rule of law, control of corruption, voice and accountability, and political stability. While according to these indicators, Hungary was among the leaders of the reviewed countries in 2002, by 2011 it slipped down to join the laggards, especially in the areas of control of corruption and rule of law.

The competitiveness of the Hungarian economy shows a similar trend when comparing data from the WEF's Global Competitiveness Reports for 2006 and 2012: Estonia is at the top in both years, followed by the Czech Republic, while Hungary and Slovenia are ranked in the middle, overtaking only Slovakia.

According to the WEF's data, there was a significant deterioration in the operational quality of Hungarian institutions between 2006 and 2012. This is reconfirmed by calculations performed on the database of the Institute for Management Development (IMD): In the area of international competitiveness we only managed to overtake Slovakia and Slovenia in 2012.

The picture is truly disheartening, especially in the light of the statistics taken from the WEF and the IMD. This is also exacerbated by the fact that the author reviews statistical data from international institutes only, without analysing the journey that took Hungary to its current position and offering some help to readers as to what should have been done differently by Hungarian economic politicians. It is not a coincidence that the author-editor borrowed the title of his publication from the poet *Endre Ady*, whose tragic life resembles the gloomy, pessimistic tones of the present study in many ways. (Fortunately this is not the case with the other studies). The reader puts down the book with apprehension: economics, after all, should be a fundamentally positive science coming up with positive findings. In this case, however, it appears that the author was uninterested in the serious criticism the *Malthusian* hypothesis received which, fortunately, remains to be proven in practice. As a reassurance it should be noted that neither current Hungarian statistical data, nor the EU's calculations paint such a bleak picture. This definitely gives hope to readers who believe in the recovery of the Hungarian economy.

What Muraközy's study fails to deliver is partly delivered by the study of *Éva Palócz* entitled *Some Real Economy Components of the Hungarian Economy's Lagging Behind (A magyar gazdaság lemaradásának néhány reálgazdasági összetevője),* discussing the factors that explain the ongoing sluggish growth of the Hungarian economy that started in 2005–2006. In order to make a comparison, the author analyses the statistical data of the Visegrád countries and the average of the 15 Member States that joined the EU during the last wave of accession to make up the EU27. The first part of the study discusses real economy trends, while the second part, contradicting its title, examines fiscal and monetary measures from the aspect of economic growth.

The author conducts the dynamic analysis of the real economy from a Keynesian approach, using the 2001–2011 time series of the components of domestic demand (private and community consumption, accumulation and gross investments). According to the charts, 2010 cannot be regarded as the base year, which is shown incorrectly in the titles of Figure 2, 3, 4, 5, 6 and 10 (by choosing 2010 as the base year the performances of Hungary's left and right-wing governments could have been separated, although the former would have been viewed in a somewhat

more positive light. The correct base year was obviously 2000.) Starting from 2008, calculations by Eurostat show a deterioration in all of the countries under review, with the Hungarian economy suffering the largest decline. While these data, especially investments (progressively dropping from 29 per cent of GDP in 1996 to 16.9 per cent by 2012), were obstacles to a more significant growth, the Hungarian economy was saved by the increase in net exports, without which the country would have slumped into recession as early as 2007.

What factors enabled the growth of demand components until 2007? The answer is not surprising; indeed, it is fairly clear to everyone: public expenditures which exceeded revenues considerably and overspending, which was reflected in an annual GDP-proportionate budget deficit of 8 per cent. Hungary's public debt grew from 52 per cent in 2001 to 73 per cent in 2008. At the same time, corruption increased to unprecedented proportions, and the surge in Swiss franc denominated loans, as well as the rise in fees and wages in the absence of real performance, all pushed the country into a debt trap to such an extent that in 2008 Hungary had to apply for a loan from the IMF to avoid national bankruptcy. Hungarian CDS spreads leapt to around 800 basis points, the forint was at its lowest with an exchange rate in excess of 310 HUF/EUR, Hungarian government bonds became worthless, public debt to GDP reached 82 per cent and the economic recession was no longer avoidable. In 2010 the new government started work by "clearing up the rubble" with only modest growth expected, although the author anticipated a significant recovery as early as 2011, generated by "substantial amounts of additional public revenues".[14] The government had also envisaged a modest, albeit not spectacular, 1.5-per cent growth for 2012, which did not materialise, and Hungary saw a 1.7 per cent decline in GDP instead. Muraközy's study puts the blame on weak governance, although the issue is far more complex to be answered simply by a rather subjective assessment on the evaluation criteria of governance.

What kind of correlation is there between budget deficit and economic growth, and how could this be modelled mathematically? The author's negative answer to the questions is highly disputable. For instance, in their article *Taylor et al.* (2012) illustrate the correlations between "primary" fiscal deficit (total deficit minus interest payments), economic growth and debt with a simple model, reaching the conclusion that the deficit/income ratio responds counter-cyclically to growth, while growth may respond positively (a 'Keynes' case) or negatively (à la 'Merkel') to the deficit, according to the premises.[15]

According to the author, inflation targeting, applied in Hungary's monetary policy from 2001, legitimised the preservation of high interest rates[16], causing serious disputes, especially in terms of real economy growth. The current government achieved what previous governments failed to deliver: both the inflation rate and the central bank's base rate are at record highs (currently at 2.6 and 4 per cent, respectively), which clearly point to economic growth.

At this point, we should take note of a theoretical misunderstanding: on page 57, the author says that "the price index was kept high throughout the expectations". This statement is correct in theory, because according to theoretical correlations, the rise in expected inflation reduces real money demand, which leads to an increase in the demand for goods, putting a pressure on prices, therefore resulting in a higher inflation rate. This process is known in the professional literature as *Friedman*'s quantity theory of money[17], which has

not been reconfirmed by Hungarian empirical data from the 2000's. The reason for the lack of empirical verification of the theory in Hungary's case might lie in the significant volume of foreign currency-based loans taken out both in the household and the corporate sector.

Despite the shortcomings of the study (mostly theoretical misunderstandings), it depicts a clear picture about the state of the Hungarian economy, using statistical time series from various databases, and can be interesting even for readers who are not experts in economics.

The study by *István Benczes* and *Gergely Rezessy*, entitled *Catching Up and Falling Behind – Varying Qualities in*[18] *National-Level Governance (Felzárkózás és leszakadás Európában – A nemzeti szintű kormányzás eltérő minőségei)* sets out to prove that national governance is more effective than European governance. While the above statement is acceptable, the authors make a mistake by dividing the multi-speed Europe into the two groups of euro area and non-euro area countries, since it is clear for everyone that the EU's economic problems are caused by the developmental and structural disparities of Member States rather than the "two (or more?) tiers". The authors come up with an even more surprising statement, namely "(...) upward mobility does not require a single currency within (EU) governance (...)" (op.cit. p. 154). The latter is also offered by the authors as a conclusion, however their study fails to give clear answers even to key questions. They present the findings of several analyses, yet the readers are left to guess which ones might be the answers to the above questions.

The concept of governance could have been interesting; however, the few ideas that were borrowed from numerous sources (in many cases partly due to the misinterpretation or mistranslation of the original text) were not amalgamated into a coherent work that would give a clear picture to readers about the criteria of modern governance. Similarly to Muraközy, the authors of this study also use data from the World Governance Indicators, accompanied by four additional data sources on governance criteria. Although not function-like, these criteria are obviously strongly connected and mutually influence one another; therefore, calculating their correlation is somewhat superfluous, which is proven by the fact that all of their coefficients are close to one.

The reader is greeted by another big surprise when the authors say the following: "The main objective of our study is to show that it is not possible to establish European-level uniform governance in a community where the national-level governance of Member States is characterised by dramatic and even opposing differences" (op.cit. p. 167). This statement is almost an axiom, which does not need to be proven or even demonstrated. From here on more and more strange sentences follow: for example, the significant "differentiation" (?) detectable in governance, which is examined by the authors through a so-called principal component analysis. The countries are ranked for 2002 and 2011 according to the deviation of the WGI data about their governance quality from the calculated principal components. The calculations show a fairly trivial result: leading EU Member States, as the most developed counties, are ranked at the top for governance quality also, which can be expected, given the strong positive correlation between per capita GDP and all of the other criteria that influence governance quality. (This is the typical case of using a sledgehammer to crack a nut). There is a possibility to carry out a comparative static analysis to see how 2002 rankings have changed by 2011. Hungary dropped from 17th to 21st.

The principal component analysis has discovered 2 "fault-lines" (?) with regards to the 30 European countries: between West European and Central and Eastern European countries, as well as Balkan countries, which is a fairly plausible result also supported by the findings of a – somewhat inconsistent and not detailed – cluster analysis, trusting the good faith of the readers.

As for the euro, the authors do not seem to have a well-founded opinion. The study raises several incorrectly formulated questions, which are impossible to answer. In my view, it is also unfortunate to use the WGI method as it evaluates governance criteria in a rather subjective manner. The activities of governments and the quality of their governance could be described much more objectively if objectively measurable proxy variables were assigned to the criteria, which is an approved method for econometric calculations. The difficulties of (unnecessarily forced) mathematical-statistical methods clearly pushed more important economic issues to the sidelines in the authors' minds. The ones they have raised, however, cannot be examined without *Lámfalussy* (2008).

The last two studies mostly review the EU's bureaucratic institutions.

In his study entitled *Room for Manoeuvre for National Economic Policies within the New European Framework (A nemzeti gazdaságpolitikák mozgástere az új európai keretrendszerben),* the author, *László Jankovics* discusses in detail the key elements of amended regulations and the economic weaknesses of the macro-fiscal supervisory system in force prior to 2010.

He poses a very interesting question: what are the economic arguments in favour of the supranational economic governance of the 90's and the normative discretionary regulation? Again, the reader does not receive a substantive answer since the Economic and Monetary Union, established to bring under control overspending nations, the "free rider" attitude, the political business cycles, etc, can be regarded as a bureaucratic measure rather than an economic argument. The EU is the union of Member States that operate market economy, but it is particularly striking from the study that attempts to put the union into orbit tend to focus on various measures that are forced onto Member States from above (thus unsuccessful), rather than using market-based measures. The complex rules and sanctions of the Stability and Growth Pact, the European Semester, etc. are applied to force ECOFIN's ad hoc ideas about the EU's operation. Although it is not mentioned in the study, the biggest problem of these measures is that Member States are not equally interested in adopting them. As a result, they are unable to observe these regulations, due to attempts to enforce their interests and due to the excessive centralisation. In order to avoid sanctions they come up with various tricks, even "cheating" (Greece, for instance) to gain time or force EU leaders into a market coordination which is more favourable for them.

This study supports László Csaba's scepticism on[19] the EU's governance in many issues.

The title of *Dóra Győrffy*'s study*: Dilemmas of Crisis Management in Europe: Chances to De-politicise Economic Policy (A válságkezelés dilemmái Európában: a gazdaságpolitika de-politizálásának esélyei)* is already an invitation for a debate in itself, asking whether economic policy can be de-politicised. The answer in this context is a definite no. If so, what did the author have in mind?

The study overlaps Jankovics' work in many issues, but the interpretation is based on different references from the literature. We find a fair presentation of the issues, such as applying double standards in sanctions (Germany,

France), crisis management measures, ECB measures, reinforcing financial supervision, etc., taken from EU publications.

The author proceeds to discuss the dilemma, which we also find the most interesting, whether there is such a thing as de-politicised economic policy. It is still impossible to interpret; however, the next question does help readers to put it into context: "if there is such a phenomenon, can it be forced on a supranational level?" (op.cit. p. 252). The author's interpretation of de-politicising is when Member States subordinate themselves to a supranational economic policy, giving up their own political interests. The author herself has immediate doubts about the question, although she tries to find a way out of the trap she set when she lays down a condition that "(...) EU bureaucrats are capable of drawing up an effective economic policy programme that is based on international best practices" (op.cit. p. 252). This is a rather ambiguous reply, for which she brings the Greek crisis management as a supporting argument; however, it has been shunted to a dead-end by the events of domestic politics, as well as election promises. The analysis eventually forces the author to retreat: "even at the time of the most intense pressure, the Greek political class was able to partially enforce its own preferences (...)" (op.cit. p. 258). Thus, the economic policy of Member States cannot be de-politicised, at least the current supranational measures of the EU are unable to enforce it. Her final conclusion is that the EU cannot be successful without the internal commitment of individual Member States, which is acceptable and very much in line with László Csaba's opinion (op.cit. p. 282).

In summary, I can say that the collection of studies provides many interesting pieces of information to the readers, some of them well-known and some less so. These works assist the reader to put the various EU matters into context, which then can help formulate further questions. From Hungary's point of view, the pressing question is whether to join the euro area and if yes, when? None of the studies actually deal with this issue directly. The scales tend to tip in favour of those who would set the Hungarian economy's level of development (being close to 90 per cent of that of developed West European countries) as a condition for [20]joining the euro area. It could be an interesting scientific programme to deliberate whether, as an EU Member State, Hungary could reach the above level of economic development most effectively with or without the euro?

Notes

[1] The question is, of course, whether this proposition can be reversed; in other words, whether the hypothesis of this study is necessary and sufficient? It goes without saying that basically this is what the EU's economic integration and the introduction of the euro as the single currency are all about.

[2] As Strauss-Khan put it in a recent interview with CNN (9 July 2013), "lions are led by sheep".

[3] The strong euro exchange rate was one of the factors that generated the crisis in these countries. The remedy, however, has been found by now: for example, Greece reduced service prices significantly and as a result, tourism volume has recently reached record heights in Greece.

[4] Basically this is also an unorthodox economic policy measure. For more details see Kovács (2013).

[5] In many respects (especially in terms of natural resources) Hungary is similar to Japan, so I am happy to see that an increasing number of economic policy measures are being adopted in Hungary of those applied successfully in Japan for decades. Hungary's public debt will be viewed completely differently when the majority of government bonds is purchased by Hungarian households and Hungarian-owned companies, since yields will remain in the country and can be re-invested, thus generating development and growth to a great extent.

[6] Feldstein is mainly known as one of the authors of the Feldstein – Horioka (1980) puzzle.

[7] Obviously, an additional condition is that the surplus handed over to finance the deficit is invested in developments that can restore the equilibrium of the balance of payments.

[8] For more details see Móczár (2010)

[9] I have models in mind that are similar to those by Brock – Hommes (1997) or De Grauwe – Grimaldi (2006), also quoted in the study, but with more endogenous and exogenous variables and avoiding chaotic analyses, which was the main result of the first study.

[10] See Móczár (2010)

[11] Or they may even help the research of Balázs Muraközy, this year's winner of the Momentum Programme, launched by the Hungarian Academy of Sciences.

[12] The selection distortion of the Maddison database is fairly well-known among experts in empirical modeling, which is why they tend to prefer the Summers – Heston data set or Penn World Table when conducting more sophisticated analyses as they avoid this distortion. With this in mind, it would have been advisable to carry out similar calculations using the Summers – Heston data set for example, and then compare the results of the two types of calculations.

[13] It would have been worthwhile to compare these data with the calculations of Péter Halmai (2011).

[14] i.e. from nationalised private pension fund assets.

[15] The fundamental correlations between fiscal and monetary policies and economic growth are widely modelled by the university textbooks of Turnovsky (2002) or, from a different approach, Azariadias (1995).

[16] Obviously, this assumes a more complex correlation, the deeper analysis of which is provided by Bánfi et al. (2011).

[17] For more details see Móczár (2008)

[18] When referring to national-level governance, the authors simply mean national governance, as revealed by their study later.

[19] as it was expressed on several occasions. He puts it in rather harsh words in his latest article: "(...) the current form of the budgetary and bank union is a posterior attempt to legitimise crisis management, which is rushed, flawed and governed by politics." (Csaba, 2013, p. 8)

[20] There are non-believers, who say that in that case we will never have the euro. For them the key to Hungary's growth is to introduce the euro and ignore the statistical facts: the euro does/did not provide any guarantees for the South Mediterranean Member States in the grip of a serious crisis, either.

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